



**SBC Ameritech Illinois Reply to:**

**KPMG Consulting's Detailed Interim Report  
to the Illinois Commerce Commission of June 18, 2002  
on the  
SBC Ameritech OSS Evaluation**

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## **I. Introduction**

On June 20, 2002 KPMG Consulting (“KPMG”) presented its June 18, 2002 Interim Status Report on the Illinois Operational Support Systems (“OSS”) Test to the Commission at a Special Open Meeting in Chicago.<sup>1</sup> KPMG’s presentation, and its detailed Interim Report, provide an incomplete and misleading status of the pending Illinois OSS testing. SBC Ameritech provides this Reply to present a more balanced view of the test status. SBC Ameritech also respectfully requests that the Commission both: a) assume a more active oversight role over KPMG’s conduct for the remaining portions of the Process Review and Transactions testing; and, b) either award the Performance Metrics (“PM”) review to another firm or require significant changes to KPMG’s current PM testing approach.

- In this Reply, SBC Ameritech responds to KPMG’s Interim Report, and clarifies many other issues for which KPMG did not provide a complete explanation or status. Prior to addressing the specifics of KPMG’s Interim Report, it is important to note that while there are disagreements between KPMG and SBC Ameritech on testing methodology, there is no dispute regarding on SBC Ameritech’s commitment to demonstrate that its OSS systems and processes are open and nondiscriminatory. It is also important to put third party testing in proper context. Actual commercial usage is the “most probative evidence” to determine whether OSS functions are “operationally ready.” For example, the FCC has consistently held that it will consider independent third party test results, but only “absent sufficient and reliable data on commercial usage.”<sup>2</sup> This Commission should likewise assess the necessity of further third party testing in the context of actual commercial usage. Because there is significant commercial usage of SBC Ameritech’s OSS, the need for further extensive and expensive third party testing is no longer necessary.

The best evidence that SBC Ameritech’s OSS systems and processes are operationally ready is the significant competition that already exists in Illinois – competition that is successfully using the same systems and processes that are the subject of KPMG’s test. SBC Ameritech’s systems work and work well, as evidenced by the fact that they are currently processing over 1.5 million pre-order transactions and over half a million wholesale orders each month. In Illinois, SBC Ameritech has consistently met 93-96% of the performance measurements in 2 out of the 3 preceding months since August 2001. As a result, AT&T, WorldCom, Z-Tel, McLeod, TDS Metrocom and other Illinois competitors already serve 1.9 million lines, which account for 23% of the lines in SBC Ameritech Illinois’ service territory. This significant competitive entry and actual commercial usage would not be possible if the systems upon which those competitors rely were not operating efficiently and in a nondiscriminatory manner.

Despite this significant local competitive entry, and the high levels of service that SBC Ameritech’s OSS have achieved, the prospect of true long distance competition in Illinois remains elusive and a prisoner of an OSS test that has taken on a life of its own. After a year and a half, over \$25 million dollars in Illinois alone and over \$170 million dollars throughout the five-state region, at least portions of the KPMG test show no signs of concluding any time in the near future. The Process Review and Transaction Verification portions of the KPMG test are approximately 80% completed. SBC Ameritech believes these tests can, and should, successfully complete on time and within a reasonable budget. However, unless significant changes are made to the Performance Metrics component of the test, unacceptable delay and expense will continue. Indeed, the final report date has slipped another month even since KPMG

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<sup>1</sup> KPMG’s June 18, 2002 Interim Report was also subsequently shared with all parties in the pending Section 271 docket in Illinois.

<sup>2</sup> Second Louisiana 271 Order ¶¶ 85-86; Michigan 271 Order ¶¶ 136, 138; South Carolina 271 Order ¶¶ 96-97; New York 271 Order ¶¶ 87, 89; Texas 271 Order, ¶¶ 96-98; Kansas/Oklahoma 271 Order ¶¶ 105, Pennsylvania Order ¶ 24.

appeared before the Commission less than three weeks ago, and this schedule slip is largely due to the PM portion of the test. These repeated delays can not continue.

SBC Ameritech's concern and frustration is exacerbated by the knowledge that the methodology, especially in the PM portion of the test, used by KPMG is not required by the FCC as part of a 271 application, nor is it required by either Conditions 29 or 30 this Commission's Merger Order. In contrast to the situation in the Ameritech region, Section 271 applications for all five Southwestern Bell states were approved by the FCC based on an OSS test conducted in Texas by Telecordia and "sameness" tests for the other four states. This Telecordia test evaluated systems that are substantially similar to those used by Ameritech. The Telecordia test took 8 months and cost approximately \$15 million (similar to the cost of the OSS test in California which was conducted by CapGemini, which took 14 months, also at a total cost of \$15 million). In the face of competition that dwarfs the level of competition that existed in Texas when it received its 271 approval, KPMG is applying a methodology in Illinois that is far more stringent than the Texas methodology and exceeds a reasonableness standard.

Complicating the testing issues in Illinois is a high degree of test "blindness" which prevents the free flow of information and discussion between the Company and KPMG. While the Company understands and supports the position that it should be "blind" when test transactions are submitted and handled, the imposition of blindness above and beyond that point is unnecessary and counter-productive. In discussions with KPMG, it has acknowledged that the level of blindness imposed in the Ameritech tests, and in Illinois in particular, is unlike anything experienced elsewhere and it has inhibited the test

The time has come for this Commission to take an active role in bringing this test to closure so that SBC Ameritech can confirm its full compliance with this Commission's Merger Order, and move forward with its Section 271 application, so that the citizens of the State of Illinois can enjoy the benefits of enhanced long distance competition. Accordingly, SBC Ameritech recommends that the Commission evaluate the need for continued third party testing in the context of actual commercial usage. To the extent further testing is required, SBC Ameritech respectfully requests that the Commission adopt the following suggestions:

- Prioritize all outstanding exceptions and observations and direct KPMG to focus solely on high priority issues that have an immediate and material impact on competitive entry. To the extent long term improvements are appropriate, require SBC Ameritech to provide an appropriate remedial plan. Finally, existing interpretative disputes should be expeditiously resolved by the Commission.
- Utilize another firm for the Performance Metric portion of the test. There are other firms who have conducted such audits that met the scrutiny of this Commission and the FCC and have been completed far more quickly, and at far less cost than the KPMG approach.
- In the alternative, direct KPMG to modify their internal methodology for the metrics portion of the test to utilize data sampling, to prioritize a subset of measures to replicate, and to use one month of data for replication, rather than three consecutive months.
- Remove the restrictive communications process between KPMG and SBC Ameritech.
- Finally, direct KPMG to utilize results from other states for test areas utilizing common systems and processes. (The Master Test Plan requires KPMG to bring such common results to the attention of the Commission for consideration.)

## **II. SBC Ameritech Executive Summary**

In its Interim Report, KPMG identified test areas and issues that it believes present a risk of jeopardizing the timely completion of the test. While these test areas and issues are dealt with in detail in this Reply, below are several key areas to which the Commission should pay special note in an effort to avoid further unnecessary delay and to avoid an incomplete and misleading OSS evaluation.

### **A. Exceptions and Observations**

KPMG pointed to various test areas that it concluded are not near completion due to unresolved Exceptions and Observations. The Master Test Plan requires KPMG to issue “observations” where a test outcome might result in a negative finding in the final report, and an “exception” where a test outcome might result in a failure to satisfy some test criteria. However, KPMG treats “observations” and “exceptions” as permitting “0 defects,” and has refused to accept SBC Ameritech explanations of why an “observation” or “exception” is not warranted. The FCC has repeatedly held in evaluating performance it “does not hold (the BOC) to a standard of perfection.”<sup>3</sup> Rather, whether a BOC meets the statutory requirements “necessarily is a contextual decision based on the totality of the circumstances and information.”<sup>4</sup>

In any event, it should also be noted that a large percentage of the open exceptions and observations cited by KPMG are awaiting KPMG retesting. Closing Exceptions and Observations is, as KPMG has often said, a “team sport”. Unfortunately, KPMG only reported one team’s score and failed to note that the ball is in its court with regard to over half of the exceptions and observations in the non-performance measurement tests that KPMG stated had a high potential to delay the schedule.

### **B. Two Special Areas of Concern**

While the specific issues within each test family are addressed in the Company’s detailed Reply, two areas deserve special note.

**PM Replication.** The Company is very concerned about the process that KPMG is following in the performance metrics portion of the test since this portion now has the greatest potential for extending the test completion date. The methodology being employed by KPMG is excessive and has the effect of needlessly prolonging the test. While the Illinois Master Test Plan would allow the use of statistical sampling in the data replication portion of the test and replication of one month of data versus three months, KPMG has consistently chosen the path that will take longer and cost more – i.e. full replication for three consecutive months. To be clear, KPMG is not doing an “audit” of the performance measures. It is instead rebuilding the performance measurement “factory” to see if the product at the end of its assembly line matches the product produced by SBC Ameritech. In sum, this methodology is not required by either this Commission nor the FCC, and serves to unnecessarily prolong the test.

**The “Time Stamp” Issue.** KPMG’s position on the volume tests ignores both the underlying technical characteristics of EDI interfaces as well as the history of the performance measures upon which KPMG is basing its opinion. Exceptions 112 and 113 which deal with this issue are unwarranted and not in accordance with the MTP. Despite numerous written explanations and technical conferences which directly addressed KPMG’s concerns, KPMG’s position on this issue remains unaltered. The

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<sup>3</sup> New York 271 Order ¶ 176; Texas 271 Order, ¶ 358.

<sup>4</sup> New York 271 Order ¶ 60.

Commission must reject KPMG's position, since it is inconsistent with the facts and the specific performance measures KPMG is using as the basis for the test.

- The MTP requires that in performing the OSS test, KPMG follow the commission approved performance criteria. Here, KPMG was testing the time it takes for SBC Ameritech's OSS to process a Competitive Local Exchange Carrier's ("CLEC") request for pre-order information. There are 3 time frames that are important to this issue. First, the time it takes the CLECs' OSS to send and receive a pre-order inquiry. Second, the time it takes SBC Ameritech to translate a CLEC pre-order inquiry into a format its OSS can process. And, third, the time it actually takes SBC Ameritech's OSS to process the CLEC pre-order request. The performance measurement business rules and the performance standard explicitly provide that SBC Ameritech is only to be measured on the third time frame. That is precisely how Southwestern Bell measures and reports results for the same OSS functionality which received FCC approval in 5 states. However, KPMG includes all 3 time frames in its evaluation of this functionality and has concluded that SBC Ameritech's performance fails the test.
- As a result of its timing methodology, KPMG misrepresented SBC Ameritech's performance in returning customer service records to the CLECs during the Commission meeting on June 20, 2002.
- SBC Ameritech's actual performance results demonstrate that it consistently provides Customer Service Record ("CSR") information to the CLECs within the Commission-approved 13 seconds.
- KPMG failed to tell the Commission that SBC Ameritech *passed* KPMG's volume test for providing CSR information to the CLECs within the Commission-approved 13 seconds during a "normal" day.
- KPMG failed to tell the Commission that the performance results it reported were from only one of its volume tests on a single "peak" day (which is 150% of "normal"), and that SBC Ameritech disagreed with its method of reporting these results.
- KPMG failed to tell the Commission that if it agreed with SBC Ameritech's method of reporting these results, SBC Ameritech would have *passed* one of KPMG's volume tests for providing CSR information to the CLECs during a "peak" test day and *failed* the other by only 3 seconds which, of course, is not competition affecting.
- KPMG misrepresented SBC Ameritech's performance in returning customer service records to the CLECs as being worse than BellSouth.
- KPMG failed to tell the Commission that the SBC Ameritech and BellSouth performance results it was comparing were from two completely different measurement techniques and two completely different interface technologies; and that SBC Ameritech provides CSR information to the CLECs on an "average response interval" basis comparable to BellSouth's performance.

### **C. Project Schedule**

KPMG's assertion that the end date of the test is "predominately in SBC Ameritech's control" greatly understates its role in this process. KPMG alone controls the internal methodology that it uses to perform the test, and that methodology is a prime determinant of the end date. To the extent that KPMG's internal methodology goes beyond that which is required to meet the requirements of the Master Test Plan – and, in the Company's view, it goes well beyond that level – KPMG is exercising significant control over that end date. At the risk of stating the obvious, SBC Ameritech has every incentive to complete the OSS test

as quickly as reasonable. On the other hand, the Ameritech OSS tests are an enormous source of revenue for KPMG -- SBC Ameritech has paid KPMG approximately \$25M in Illinois and over \$170M throughout the 5 Ameritech states since the OSS test began. KPMG has no incentive to complete the OSS test absent strong oversight and pressure from the state commissions.

KPMG's comment that the test could have been completed in March 2002 "if no significant issues or problems had been found" is disingenuous. Such comments suggest that the test being conducted in Illinois is significantly different than the KPMG tests conducted elsewhere in the country -- tests that the Company understands have averaged in excess of two years and cost, on average, in excess of \$40M each. In fact, KPMG entered into the Illinois test with an understanding that a "New York style" scope of work would be required -- and provided to the Commission a "cap" of \$17.7M.

There are methods by which this OSS test can be completed in a more timely manner than the current course would dictate and the Company has supplied the Commission with several approaches to consider. Included in this list of options are:

- Prioritize the outstanding exceptions and observations and direct KPMG to focus solely on high priority issues that have an immediate and material impact on competitive entry. To the extent long term improvements are appropriate, require SBC Ameritech to provide an appropriate remedial plan. Finally, existing interpretative disputes should be expeditiously resolved by the Commission.
- Utilize another firm for the performance measure part of the test. There are other firms who have conducted such audits that met the scrutiny of the FCC and were completed far more quickly and at far less cost than the approach being utilized by KPMG.
- Direct KPMG to modify its internal methodology for the metrics portion of the test to utilize data sampling, to prioritize a subset of measures to replicate, and to use one month of data for replication, rather than three consecutive months.
- Direct KPMG to use results from other states for test areas utilizing common systems and processes. (Note: The Master Test Plan requires KPMG to bring such common results to the attention of the Commission for consideration.)

#### **D. "Open Issues" Identified by KPMG**

In its Interim Report, KPMG identifies eight open issues as the "most important remaining issues" with the OSS test and four additional issues that could jeopardize the performance metrics test. While these issues are addressed in more detail in the Company's full Reply document, below is an overview of these issues. As can be seen, far from being jeopardy items, significant progress on each and every issue has been achieved and none of the issues should cause an extension to the test schedule.

- *SBC Ameritech did not accurately update over 10 percent of Customer Service Records reviewed during testing.*  
Status: The Company identified and corrected a single coding problem affecting just one test order for an account with multi-line hunting. The Company also identified and corrected one table update problem affecting just the Test CLEC and having no impact on production CLECs.
- *SBC Ameritech systems did not provide timely or accurate responses during pre-order/order volume testing.*

Status: If KPMG used the Commission-approved business rules, as required by the MTP, the Company performed satisfactorily on all aspects of the volume test.

- *SBC Ameritech did not provide proper Line Loss Notifications 51% of the time during testing.*

Status: The Company has successfully addressed this issue. There have been several process, training and software changes to correct and control missing or inaccurate line loss notices. The last system change was completed on June 3, 2002. Recent data shows that in excess of 99% of the line loss notifications are being delivered on a timely basis.

- *SBC Ameritech made incorrect directory assistance updates over 26% of the time during testing.*

Status: SBC Ameritech has developed and deployed interface and system changes that resolved this issue.

- *SBC Ameritech did not accurately update over 8 percent of switch translation records reviewed during testing.*

Status: Recent test results show that the Company is achieving a 95% accuracy level for switch translations and does not believe there should be any continued concerns in this area.

- *SBC Ameritech's end-to-end maintenance & repair (M&R) process does not ensure trouble reports are handled consistently, accurately and completely.*

Status: Overall wholesale trouble reports are currently achieving an overall accuracy rate of 96% (better than comparable retail service levels). The Company is confident of its performance in this area and has requested this issue be immediately retested by KPMG.

- *Orders have not flowed through SBC Ameritech EDI systems as expected.*

Status: The Company has been working closely with KPMG to modify the test reports which identify the flow-through rates. A new report that went into production on June 25<sup>th</sup> should address KPMG's remaining concerns on this subject.

- *SBC Ameritech EDI systems did not provide over 5 percent of service order completions within one business day of confirmed due dates.*

Status: The Company's performance in this area has seen significant improvement in the past few months after a single piece of code in one system was corrected and one data base was updated. Results are generally exceeding 97% for the CLEC aggregate. Significant improvement in the Test CLEC results was also evident.

- *SBC Ameritech's data retention policies regarding source data do not enable thorough and complete audits.*

Status: KPMG's expectations regarding data retention are excessive and are not comparable to other performance measurement audits, e.g. the FCC audit of the Merger Performance Measures. Although not in agreement with KPMG's methodology, the Company has undertaken system modifications in order to retain source system data in an unmodified form. It should be noted, however, that the data retention period for SBC Ameritech's reporting systems has been and continues to be in compliance with regulatory commitments.

- *The procedures and controls SBC Ameritech has in place for performance measurement calculation and reporting are inadequate.*



Status: The Company has expended significant effort over the past several months to implement more rigorous controls throughout its performance measurement processes and is confident that those controls are more than adequate to ensure that its data and reporting are accurate and complete.

- *SBC Ameritech restated performance measurement results without notifying CLECs and regulators in a consistent manner.*

Status: The Company has significantly improved its restatement processes and practices to ensure more accurate notifications are made. Restatements made during 2002 reflect these improved processes. It should be noted that the restatements made in 2001 impacted the “met” versus “not met” result less than 5% of the time.

- *SBC Ameritech does not provide accurate notices of performance measurement restatements on its Website News Page.*

Status: SBC Ameritech has acted proactively and provided CLECs and regulators notice when there is a possibility that a PM result could change, which is the most conservative approach. Nevertheless, SBC Ameritech is in the process of developing a report that can be utilized by CLECs and regulators which will allow them to identify specific changes in posted results.

Based on the foregoing, and as shown in detail below, SBC Ameritech is confident that the Process Review and Transaction testing portions of the Illinois OSS test, properly conducted consistent with SBC Ameritech recommendations, can be completed in a timely manner and will demonstrate that its systems are operating in an open and nondiscriminatory basis. In contrast, the Performance Metric portion of the Illinois test requires significant changes to avoid further unreasonable delay and expense.

### **III. A Response to KPMG Report Section: Executive Summary**

#### **Accomplishments:**

While describing the effort put forth in the test to date by KPMG, KPMG did not acknowledge the comparable levels of effort put forth by the Company on this project. This focus only on the work efforts of KPMG and the exclusion of the efforts of all other parties involved in this test is a common theme throughout the Interim Report.

Specific areas within this section of the Interim Report where SBC Ameritech disagrees with KPMG are as follows:

- In reference to the Preliminary Metrics Audit (PMA) conducted in Illinois, KPMG states (p. 6) that the PMA Report “raised questions about SBC Ameritech’s data integrity and measurement reporting.”

The Company does not believe that any material questions were raised about its data integrity and measurement reporting. As the Company indicated in its letter to the Commission Staff (dated August 15, 2001), SBC Ameritech was generally satisfied with the results of the PMA. The PMA Report included only two negative findings, neither of which was related to data integrity or measurement reporting. Even those two specific areas of the PMA were inconclusive at best due to time constraints on KPMG’s analysis.

- When describing the program management and communications processes associated with the test, KPMG states (p. 7) that they have been “timely and extremely detailed,” listing all of the meetings and calls in which it participated, and reports that it produced on a regular basis.

KPMG overstates its role in these processes. Many, if not the majority, of the meetings, calls and reports which have occurred were arranged at the request of either the Commission Staffs or SBC Ameritech. Given KPMG’s previous experience with OSS testing, SBC Ameritech expected KPMG to manage this project more affirmatively.

KPMG’s comments regarding their timeliness does not, in many cases, hold true. SBC Ameritech continues to receive observations and exceptions that are based on transactions that are many weeks, if not several months, old even though this matter has repeatedly been brought to their attention and to attention of the Commission Staff.

- KPMG notes (p. 7) that it has updated the Illinois project plan 12 times, provided line by line detail and has had meetings with the Company and Staff about these updates.

Although KPMG has updated the project plan numerous times, the process was not handled in an open and efficient manner, nor did it permit input from SBC Ameritech. In fact, the Company has consistently been provided with only summary plan information. SBC Ameritech has never had the opportunity to review the detailed project plan, despite numerous requests. Also, while discussions of project plan updates have been held with the Company, these discussions only occurred once the updated plan has been made public—that is, after the plan updates have been made (and reviewed with Staff). As a result, the Company has had no opportunity to provide input to the updates.

**Open Issues:**

The number of open issues is far less problematical than KPMG suggests in this section of its report. Many of the exceptions and observations which KPMG lists have already been fully addressed by SBC Ameritech and are now in a "retest" mode. In other words, "closing out" the exception or observation is in the hands of KPMG, not SBC Ameritech. These issues can be closed quickly if KPMG performs timely retesting.

As of July 1, 2002, over 85% of all observations and exceptions issued were either closed or in the hands of KPMG awaiting retesting or further analysis. A listing of each exception and observation which is currently pending can be found on Attachment A as well as an indication of whether it is an open or in retest status.

KPMG lists eight items that it views as “the most important remaining problems with SBC Ameritech OSS systems and processes” as well as four additional issues relating to SBC Ameritech’s performance metrics systems and processes. Resolution of these issues is, in many instances, dependent upon KPMG’s own retesting activities. In other cases, KPMG overstates the magnitude of the issue and understates the significant progress that has already been made. While many of the issues are addressed in detail in this Reply within each test section, below is a summary of SBC Ameritech’s response to these items. (All items found on pages 7-8 of KPMG’s Report)

- KPMG Comment: SBC Ameritech did not accurately update over 10 percent of the Customer Service records reviewed during testing.

SBC Ameritech Response: It is more meaningful to count the number of errors detected and the impact of those errors on the CLEC community than it is to quote raw statistics out of context. The Company identified and corrected a single coding problem affecting just one test order for an account with multi-line hunting. The Company also identified and corrected one table update problem affecting just the Test CLEC and having no impact on production CLECs.

- KPMG Comment: SBC Ameritech systems did not provide timely or accurate responses during pre-order/order volume testing.

SBC Ameritech Response: KPMG’s analysis is based on its own internal testing methodology which is direct conflict with the Commission-approved business rules associated with response timeliness. If KPMG had used the Commission-approved business rules as required by the Master Test Plan, the Company passed the volume tests.

Also, to the Company’s knowledge, the “accuracy” of the responses has never been an issue during the testing -- only the timeliness, under KPMG’s methodology.

- KPMG Comment: SBC Ameritech did not provide proper Line Loss Notifications 51% of the time during testing.

SBC Ameritech Response: The Company has successfully addressed this issue. There have been several process, training and software changes to correct and control missing or inaccurate line loss notices. The last system change was completed on June 3, 2002. Recent data shows that in excess of 99% of the line losses are now being delivered on a timely basis. Line loss notification performance data will continue to be monitored to ensure that all issues have been resolved.

- KPMG Comment: SBC Ameritech made incorrect directory assistance updates over 26% of the time during testing.

SBC Ameritech Response: SBC Ameritech acknowledges that there were errors in the test CLEC's directory assistance update orders. However, interface and system changes were developed and successfully deployed to address this issue. Therefore, this problem is no longer outstanding.

- KPMG Comment: SBC Ameritech did not accurately update over 8 percent of switch translation records reviewed during testing.

SBC Ameritech Response: This issue is under study by the Company. However, KPMG did not raise this issue in as timely a manner as it could have. Back on January 24, 2002, KPMG identified four lines which they believed had inappropriate translations and the Company responded on February 7, 2002. It was not until four months later (May 28, 2002) that KPMG indicated that they suspected additional errors.

SBC Ameritech's subsequent investigation found that only 8 of 160 lines where KPMG had suggested potential provisioning problems in fact needed to be corrected. This translates to a 95% accuracy rate, and the Company does not believe that there should be any further concerns relative to switch translation provisioning.

- KPMG Comment: SBC Ameritech's end-to-end maintenance & repair (M&R) process does not ensure trouble reports are handled consistently, accurately and completely.

SBC Ameritech Response: KPMG's concern about the handling of trouble reports was limited to the resale environment. While noting that SBC Ameritech's overall rate of accuracy was 96%, it took exception to the fact that the performance for Resale was 93.5% (UNE performance was 96.8% and Special Services was 97.6%)

The Company believes that its Resale performance is more than adequate as it exceeds the retail parity level as established in Commission approved performance measure (#44). Although the Company requested that KPMG conduct immediate retesting at the time that KPMG raised this issue, KPMG has not done so.

- KPMG Comment: Orders have not flowed through SBC Ameritech's EDI systems as expected.

SBC Ameritech Response: While system changes have been made to improve flowthrough capabilities, a very small percentage (under 10%) of orders have been impacted by these changes, and no new requirements for additional changes have been identified for several months. The basic issue today is one of documentation provided to KPMG in order to conduct its test. The Company has been working closely with KPMG to reach common understanding of the definition of flowthrough in the Company's environment, and then to create test reports that identify the flowthrough rate being accomplished. A new report went into production on June 25, 2002 which is expected to address KPMG's remaining few concerns.

- KPMG Comment: SBC Ameritech's EDI systems did not provide over 5 percent of service order completions within one business day of confirmed due dates.

SBC Ameritech Response: In the fourth quarter of 2001, the Company identified and corrected 1 piece of code in 1 system and updated one database table that resulted in greatly improved service order completion rate performance. In May, 2002 CLEC aggregate composite results for PM 7.1 (Resale, UNE, and Combinations together) exceeded 98.7%. Although the Test CLEC has not experienced the same level of timeliness (due to the unique types of orders being tested), significant improvement has also been demonstrated, from an average result of 81% in the last quarter of 2001 to an average result of over 90% in all of 2002 (through May). Additional improvement is expected through the Company's standard PM results review process.

- KPMG Comment: SBC Ameritech's data retention policies regarding source data do not enable thorough and complete audits of the performance measures.

SBC Ameritech Response: KPMG's standards for data retention are excessive. KPMG takes the position that unmodified source system data must be used, rather than summarized data. However, this approach is not consistent with that taken in other performance measure audits. For example, the FCC has audited the Merger Performance Measures and did not require unmodified source system data. Similarly, this extreme approach was not required for the performance measure reviews performed the Southwestern Bell states for their FCC 271 applications.

Although not in agreement with KPMG's methodology, the Company has undertaken system modifications in order to retain source system data in an unmodified form. This significant work effort has only been required because of KPMG's self-imposed analytical techniques.

Throughout KPMG's auditing efforts, SBC Ameritech has provided, upon request, retention information regarding its performance measurements reporting systems. The retention period for SBC Ameritech's reporting systems has been and continues to be in compliance with regulatory commitments. During the month of December 2001, the Company provided KPMG with additional data retention information, with particular emphasis on its performance measurement data source systems. An additional level of data retention detail was provided to KPMG between the months of March and June 2002. This further detail provided KPMG with retention periods and storage procedures associated with all specific performance measurement data from its source system inception to performance measurement reporting.

Since SBC Ameritech's original delivery of data retention information, KPMG has been aware that the Company's performance measurements reporting systems retain data within applicable Regulatory requirements. With the most recent delivery of detailed source system data retention information, SBC Ameritech has further documented the adequacy of its systems responsible for storing source data for purposes of enabling thorough and complete audits.

- KPMG Comment: The procedures and controls SBC Ameritech has in place for performance measurement calculation and reporting are inadequate.

SBC Ameritech Response: SBC has in place robust controls over its performance measurement processes, comparable to those in place in Southwestern Bell. The Company has expended significant effort over the past several months to implement even more rigorous controls and is confident that those controls are more than adequate to ensure its data and reporting is accurate and complete.

- KPMG Comment: SBC Ameritech restated performance measurement results without notifying CLECs and regulators in a consistent manner.

SBC Ameritech Response: The Company has significantly improved its restatement processes and practices to ensure that more accurate notifications are made. Restatements made during 2002 reflect these improved processes. However, it should be noted that the restatements made in 2001 impacted the "met" versus "not met" result less than 5% of the time.

- KPMG Comment: SBC Ameritech does not provide accurate notices of performance measurement restatements on its Website News Page.

- SBC Ameritech Response: The Company has posted notices of restated performance measures accurately. There is no dispute between SBC Ameritech and KPMG that it posts notices for those performance measures which have been recalculated and re-posted. KPMG's concern is that, at times, notices for PMs whose results have not changed are also provided because there has been some modification to the criteria which caused a recalculation of the measure. SBC Ameritech believes that it has acted proactively and provided CLECs and regulators notice every time there is a possibility that a PM result could change, which is the most conservative approach.

### **Current Project Schedule**

KPMG's assertion (p. 8) that the end date of the test is "predominately in SBC's Ameritech's control" greatly understates the role that KPMG has in the ultimate conclusion of the test. KPMG alone controls the internal methodology that it uses to perform the test, and that methodology is a prime determinant in the end date. To the extent that KPMG's internal methodology goes beyond that which is required to meet the requirements of the Master Test Plan – and in the Company's view it goes well beyond that level – KPMG is, in fact, exercising significant control over the end date of the test

Additionally, as has been referenced above, there are currently many items awaiting KPMG retesting. The identification of issues, analysis, response (and fixing if necessary) and retesting is a cyclical process that requires the active and timely participation of all parties – including KPMG.

KPMG's comment that the test could have been completed in March 2002 "if no significant issues or problems had been found" is ignores the reality of the OSS testing process. Every OSS test for every ILEC has found issues and problems, which then had to be corrected. The test being conducted in Illinois is no different than the KPMG tests conducted elsewhere in the country – tests that the Company understands have averaged in excess of two years and cost, on average, in excess of \$40M each, well beyond the \$17.7 million cap in Illinois.

### **Next Steps**

KPMG states that it would be inappropriate for them to "advocate in favor of or disfavor of proposals to pass the test" (p. 9). Whether or not KPMG views this as its role, the reality of the situation is that the internal methodology chosen by KPMG has precisely this effect. Moreover, KPMG has been unwilling to discuss or consider changes to their methodology even when those changes are entirely consistent with the Master Test Plan.

For example, results from another Ameritech state with common systems and processes could be imported to Illinois, and obviate the need for duplicate testing. This process is not only allowed by the Master Test Plans, but required. KPMG has not actively considered alternatives such as these. SBC Ameritech makes a number of concrete and specific recommendations throughout this Reply that are intended to provide a more efficient path forward to bring this test to successful closure and to meet this Commission's objectives.

### **III. B Response to KPMG Report Section: Performance Metrics (PM) Overview**

General Response: This portion of test includes five separate tests, PMR1, PMR3, PMR4 and PMR5, which KPMG identified as “high” risk to timely test completion and PMR 2, which KPMG identified as “moderate risk.”

KPMG contends that SBC Ameritech is responsible for the fact that this portion of the test has taken so long and has so little success to report. KPMG is incorrect.

First, SBC Ameritech has invested thousands of hours in interview time with KPMG personnel. Delays have resulted because KPMG has experienced a high turnover rate among its employees and, as a result, has repeated requested to “re-interview” SBC Ameritech Subject Matter Experts (SMEs).

KPMG does not consistently define the parameters of the test at the front end, thereby engendering delays when the parameters change. Examples are:

- KPMG agreed to (and participated in the design of) specific templates to be used in SBC Ameritech’s documentation related to PMs. Once the templates were developed and the documentation was delivered, KPMG identified additional requirements which were not part of the original agreement. An example is the requirement for data dictionaries. After numerous discussions, KPMG has modified their requirement and is working with the Company to identify specific fields for which a definition of all values are required.
- KPMG requires the use of unique identifiers for the data used in the data integrity test. KPMG only explained this requirement once it actually began the data integrity test, nearly a full year after SBC Ameritech began to send data files to KPMG. This is not fairly viewed as an SBC Ameritech problem

KPMG has pointed out several problems that they claim have delayed the completion of the Performance Metrics portion of the test. SBC Ameritech’s position and perspective on each is provided below.

#### *1. Status of Observations and Exceptions*

KPMG notes that there are 31 open observations for the PMR section of the test and 9 exceptions open for the Performance Metrics portion of the test.

- Of the 31 observations that were listed in KPMG Interim Report, 18 have already been closed, 8 others have already been responded to and the Company is awaiting further KPMG analysis. Only 5 of these observations remain for SBC Ameritech to address.
- Of the 9 exceptions that were listed in the Interim Report, 1 has been closed and 4 others are in retest. One of the exceptions (E-113) is associated with the “time stamp” issue which is addressed in this document as part of the Company’s comments on the volume test.

Obviously, additional observations and exceptions have been received since the Interim Report was issued. The following is a current status (as of July 5, 2002) of observations and exceptions which are either open or in retest for each of the performance measurement (PMR1-PMR5) sections of the test. It should be noted for PMR5 that most of these observations indicate areas where KPMG is unable to replicate SBC Ameritech’s posted result exactly, without regard to the materiality of any differences.

- PMR1 – Data Collection and Storage
  - Exceptions - 2 Open, 1 Retest
  - Observations - None
- PMR2 – Metrics Definitions and Standards
  - Exceptions - None



- Observations – 1 Open, 2 Retest
- PMR3 – Metrics Change Management
  - Exceptions – 1 Open, 5 Retest
  - Observations – 1 Open
- PMR4 – Data Integrity
  - Exceptions - 1 Open
  - Observations – 2 Open
- PMR5 – Metrics Calculation and Reporting
  - Exceptions – 2 Open
  - Observations – 25 Open, 14 Retest

## 2. *Inaccurate and Incomplete Metrics Documentation*

A significant portion of KPMG's concern regarding documentation is attributable to the numerous levels of documentation that KPMG has required for this test which go beyond the level of documentation that SBC Ameritech believes is required for normal business operations and goes far beyond what was in place in Southwestern Bell when those five states received 271 approval from the FCC. The documentation did not exist in the form required by KPMG. Nevertheless, SBC Ameritech has worked closely with KPMG to determine exactly what type of documentation is required for KPMG's purposes and in what format. This information is extensive in nature and covers every performance measure and every system impacted by the creation of a performance measure. All documentation that has been requested by KPMG -- for all 153 measures -- was delivered to KPMG by June 28, 2002 and is pending KPMG review.

Included along with the documentation delivered to KPMG was the identification of the "source system" for each data field utilized in the creation of the performance measure. With the final delivery of performance measure documentation, SBC Ameritech has completed a six month effort involving over fifty employees and has provided KPMG with over 5,000 documents as follows:

- Business and technical documentation: 2,550
- Data flow documents: 455
- Data element maps: 258
- Non-measure specific processing documents: 490
- Data retention documentation , including "system of record" information: 1439

## 3. *Lack of Information from SBC Ameritech Subject Matter Experts*

KPMG noted numerous instances where it believed that the Company had hindered its testing efforts by either not providing them access to SMEs or refusing to provide requested information. KPMG's report on these issues is incomplete, as explained below.

- Refusal by SMEs to review KPMG replication results:

SBC Ameritech acknowledges that early on it took the position that it viewed KPMG as owning the responsibility for performing an initial analysis and determining the differences between KPMG's replication results and Ameritech's posted results. The auditor in prior performance metrics audits that SBC Ameritech has been involved in has traditionally performed this type of analysis. This assists the auditor in understanding both the nature and materiality of any differences prior to discussing them with the Company. However in this case, once it became apparent that KPMG was ill equipped to perform this role in a timely fashion, Ameritech assumed this responsibility and brought on additional contractor resources to accelerate the analysis.

- Failure to have systems SMEs at meetings:

KPMG frequently asked to interview the same subject matter experts multiple times using different KPMG personnel, sometimes asking for the same information. Because this approach interfered with the employees' conduct of their job responsibilities, SBC Ameritech on occasion requested additional justification for repeat interviews. To the extent that KPMG avoided unnecessary repeat interviews and/or requested weekly meetings with specific SMEs to facilitate their understanding of specific systems and SBC Ameritech programming, the Company provided these SMEs and facilitated questions.

Moreover, on most occasions, KPMG did not forward meeting agendas prior to or even during the meetings. As a result, because performance measurement responsibilities span several organizations, it was often difficult to schedule the right SMEs for KPMG's broad range of interview questions.

- Refusal to provide PM Change Request information:

SBC Ameritech is at a loss to address KPMG's statement. The Company has provided regular copies of its entire performance measurement change management data base.

- Refusal to provide SAS code:

The availability of the SAS code is not currently an issue between SBC Ameritech and KPMG. First, SBC Ameritech did not refuse to provide the SAS code which is the programming code used to produce the performance measures. The SAS code would not have assisted KPMG in its replication analysis, because the code was developed on a system basis, rather than on a PM basis. KPMG performs its replication analysis based on PMs, not systems. The Company and KPMG met and jointly agreed to explore other alternatives that might provide KPMG the needed information for a more focused review. An alternative method to address KPMG's replication needs was, in fact, jointly agreed to, based on an SBC Ameritech analysis of KPMG-generated results. The parties agreed that KPMG would inform the Company if it felt that this process was not working and, in that eventuality, the Company would provide the actual code. To date, KPMG has never re-requested the code and has acknowledged that using the SAS code to develop its own internal code would not have been efficient. Again, the Company is at a loss as to why this has been identified by KPMG as a cause for delay.

- Refusal to provide system change information:

KPMG cites one example of "Planned System Change" documentation that is being delivered "late". The late form referenced by KPMG was delayed by the discussions between KPMG and SBC Ameritech on how best to handle these requests.

In other cases, KPMG has requested documentation for planned system changes which are scheduled to occur months/years in the future and that documentation is simply not currently available.

KPMG has also required that SBC Ameritech provide it with planned system changes which will occur well beyond the time of the test. Examples are:

- ✓ ASKME, targeted for full implementation in Ameritech for 2-3<sup>rd</sup> quarter 2003
- ✓ ALPSS to BRAVO conversion for Directory tentatively scheduled to begin no earlier than the fourth quarter of 2002.

The “Planned System Change” documentation requested by KPMG is more of a “communication report”. It was agreed that SBC Ameritech would communicate to KPMG any new information about planned system changes as the information becomes available. SBC Ameritech utilized the SBC Change Management Database as the means to communicate these changes to KPMG. KPMG receives this database every week and all planned changes are tracked within the database. The issue between SBC Ameritech and KPMG is not the availability of this information, but the fact that KPMG wanted SBC Ameritech to “call out” the changes on a special form.

#### 4. *Untimely Delivery and Incomplete Data Sets*

In its table (p. 19), KPMG states that it did not receive “complete” data. This statement is incomplete for many reasons including the following:

- The expected data delivery date was agreed to be the 22<sup>nd</sup> of the month or the first business day “after” (not “before” as stated in the KPMG table). Thus, delivery was generally timely.
- In most cases, to the extent that the data delivered to KPMG was incomplete, it only involved a small number of files or even a single file. These files were typically provided shortly thereafter and, in any event, would not have significantly delayed KPMG’s work. In some cases, all of the data that was requested by KPMG (for example, PMs 77, 105, 106 & MI5) was delivered on-time. However, KPMG later decided after a full year of receiving these files, that they really want something else and counted the receipt of the newly requested files as late. In most cases, if files were delivered to KPMG after the 22<sup>nd</sup> of the month it was due to the fact that the files had been requested by KPMG after the due date and the data was sent to them for the current month as well as previous months.
- In certain cases, complete data could not be delivered until restatements occurred.
- KPMG frequently counts data as late when they have problems opening the data file or the file is corrupted. There have been instances where they have identified problems with a data file months after it has been delivered to them, only to say that was the first time they attempted to open it. Therefore SBC Ameritech is not informed that there is a problem with the files until well after the due date. A specific example of this is related to PM MI 14. In late May, KPMG notified SBC Ameritech that they could not open the January database, which was delivered on time in February. SBC Ameritech had been sending these same files to KPMG since April of 2001 KPMG had never informed the Company of fact that they could not open these files during this entire period.
- KPMG has shown files as late when they did not understand the data file and required a meeting to explain the file. Although no new file was delivered, the file was considered late until the meeting could be held.
- KPMG requested SBC Ameritech to deliver data files that were not part of the Company’s business process. In some instances, it took significant time and effort to determine the best way

to get the files to KPMG in a format that the Company could download and KPMG could upload without errors.

- SBC Ameritech has reacted immediately to KPMG's notification of corrupted files.

5. *Slow Response to Clarification and Interview Requests*

As noted above, KPMG's processes require multiple requests for documentation which continually cover the same content from different perspectives. At times, information provided to one KPMG employee was never shared with other KPMG employees with a similar need for that information. Because the Company was inundated with requests, there were occasions when the target response date was not achieved. However, overall (and especially in 2002), SBC Ameritech's responses were generally on time and complete.

6. *Inability to Provide Source System Information*

As noted above, KPMG's methodology for replication and data integrity rely greatly on source system data, a requirement which is unique to KPMG and which has not been the case in other audits. SBC Ameritech has now provided KPMG with data element maps and data flow diagrams which precisely map every data element used in the PM process back to the source system.

7. *Frequent and Numerous Performance Metrics Restatements*

Restatements are completed based on SBC Ameritech's continual efforts to ensure that performance is reported accurately and consistent with the intent of the business rules. The Company closely monitors its restatement activities and is committed to reducing them significantly. However, restatements have changed overall PM results (#measures met/not met) by an average of less than 5% for the last year and are not indicative of major integrity issues in Ameritech's reported results. In addition, one specific issue may require restatements to multiple measures, thus creating the impression of a greater scope of change than is, in fact, the case. In short, many of these restatements are not material and do not impact KPMG's ability to complete its replication activity.

### **III. C Response to KPMG Report Section: Relationship Management and Infrastructure (RMI) Overview**

**General Response:** KPMG has reported very few outstanding issues with this portion of the test which includes five different tests: PPR1, PPR2, PPR3, PPR4 which KPMG identified as “low risk” areas; and PPR5 which KPMG identified as “moderate risk.” With the exception of a single open observation for PPR5 which is progressing through the normal processes, there are no open issues associated with this test. It is the Company’s view that many of the issues raised during this portion of the test were minor in nature and typically are addressed via the normal business-to-business communication which occurs on an ongoing basis. KPMG’s stated concern about delays in the availability of SMEs was previously addressed.

#### **Specific Issue of Concern:**

1. For PPR-5, Interface Development Verification and Validation Review, under “Work Remaining” (p. 30) KPMG states that they have “experienced delays in SBC Ameritech’s ability to arrange interviews with the appropriate subject matter experts and to respond to data requests.”

Again, SBC Ameritech confirms that there were occasions when the interview requests were given a high degree of scrutiny due to previous interview sessions on this same subject. It had been determined that KPMG on several occasions throughout the test had asked for interviews on topics that had been covered in previous interview sessions. In addition, the Company SMEs were very concerned, based on the previous interviews, that the KPMG personnel performing the interviews were oftentimes unfamiliar with basic telephony concepts and had failed to review notes of previous interview sessions in advance. Finally, until recently, KPMG would refuse to provide in advance the specific questions which they wanted to address in the interviews. Accordingly, the Company has had to guess as to which SMEs would be appropriate, and when questioning delved into an unanticipated area, additional interviews would be required. This situation continues. As recently as the week of June 24, SBC Ameritech was advised less than 24 hours in advance of an interview of the need for additional representation.

### **III.D Response to KPMG Report Section: Order Management (OM) Overview**

**General Response:** This portion of the test includes five tests, TVV1, TVV2 and TVV3, each of which has been identified by KPMG as “high risk” areas; and PPR7 and PPR8 which are identified as “low risk.” SBC Ameritech disagrees that any of these tests are “high risk.” However, SBC Ameritech agrees with KPMG that a number of issues and areas were identified that needed to be clarified in this portion of the test and that these matters are being addressed through the normal observation and exception processes. SBC Ameritech further agrees that changes have been made to the KPMG “zero-defect” schedule in order to allow these issues to be researched, clarified and, when necessary, for a system or documentation change to be made.

SBC Ameritech, however, strongly disagrees with the assertion that there have been problems associated with the Company’s “ability to both support pre-order and order functionality, and to meet its timeliness requirements through its LSOG 4 EDI, CORBA and GUI interfaces.” SBC Ameritech’s specific responses are outlined below.

#### **Specific Issues of Concern:**

1. For TVV-1, Pre-Order and Order Functional Evaluation, KPMG notes that there are 21 open observations and that they will retest or continue to test once SBC Ameritech indicates that an issue is ready to be retested. Of the 21 observations that were “open” when KPMG issued its Report, 6 have already been closed, 6 others have already been responded to and the Company is awaiting further KPMG analysis. In only 4 of these cases is any degree of retesting required.
2. In the “Work Remaining” section for TVV-1 (p. 36), KPMG stated that there are transactions “on hold” pending retesting of outstanding observations and exceptions in TVV-4, Provisioning Verification and Validation. There should be no transactions currently on hold for TVV-4 testing. For one issue, CSI Provisioning, the Company notified KPMG that retesting could begin on May 6. The other issue involves Line Loss Provisioning and the Company notified KPMG that retesting could begin on June 4.
3. The TVV-2 test, Pre-Order and Order Volume Performance Test, has been the subject of much discussion for the past two months due to the testing methodology used, and the conclusions drawn, by KPMG. In addition, this topic was the subject of a letter written by SBC Ameritech Illinois President Carrie Hightman to the Commissioners on June 27, 2002, in response to comments made by Mr. Ray Sears of KPMG in a Commission Special Open Meeting held on June 20, 2002 in Chicago. (See Attachment B)

Basically, KPMG’s comments on this portion of the test center on two issues. First, KPMG evaluated timeliness based solely on timestamps taken on the *Test CLEC side* of the interface and attempted to compare those measurements with the performance measurements which were developed based on the assumption that the timestamp would be taken on *the Company side* of the interface. Secondly, KPMG included within its measurement the EDI protocol translation time, which is not included in the results used for performance measurement purposes as approved by the Commission.

While it was not the intention of this Reply to address every statement in KPMG’s Report, the TVV-2 test is a key component of the OSS test and many of KPMG’s descriptions are so fraught with inaccuracies that the a response is necessary. Below are the specific volume test dates quoted by KPMG to which SBC Ameritech takes exception:

- All dates prior to the first Volume Test on 2/7/2002: During the pre-test time period, KPMG and the Company worked together to set up and prepare the Volume Test CLEC to be able to successfully execute a volume test. In the course of performing these activities, problems were identified in setup, order processing, and preorder processing on both SBC's interfaces and KPMG's that were developed to conduct the test. Some problems were fixed by the Company; some were fixed by KPMG. Unfortunately, KPMG chose to list only those problems that were the Company's to resolve. In consideration of a balanced view of this setup time period, some of KPMG's problems include:
  - In October, KPMG chose not to enter the CLEC test environment, which is the norm for new CLECs and which was made available for the Volume Test CLEC. This decision postponed the detection of routine setup problems until later in the year.
  - In October, KPMG failed to provide the required CORBA setup information to SBC Ameritech. This delayed the start of CORBA seed testing until November 7.
  - Through a series of biweekly calls, the Company identified a variety of seed testing issues that KPMG was required to correct.

Rather than continue to debate the historical record, the Company chooses to point out that volume test setup issues were expected to occur and be corrected by both parties. KPMG's portrayal of the events of this time period seems designed to deflect attention away from the fact that the Company's Volume Test performance is satisfactory and passes all reasonable measures of performance.

- February 25, 2002: According to KPMG's report (p. 38), Hewlett Packard (HP) identified a problem in the Company's Interactive Agent Specifications upon which they relied to build their gateway test system. The Report further states that HP made a change to its system to address the "problem caused by Ameritech's specifications." KPMG again attempts to confuse and place blame rather than simply state the facts of the issue-that it identified a artificial constraint in how it had plan to conduct the volume tests. The specifications in question are industry-standard specifications to which both HP's Interactive Agent software and the Company's Interactive Agent software are built. During the February 25 Volume Test, HP detected a software problem with the Company's Interactive Agent software that was only noticeable during periods of high volume processing. This problem was encountered due to how HP was attempting to conduct the volume test with SBC, but would never be encountered by a real CLEC in its day-to-day business transaction processing with SBC. Upon notification of the problem, the Company corrected its Interactive Agent software by upgrading to a new specification. HP also upgraded to the new specification. The results of subsequent volume tests show that these software changes were successful to allow the volume testing to continue and conclude successful in SBC opinion.
- March 13, 2002: KPMG identified three issues that purport to show failure of the 100% "normal day" Volume Test. In fact, these issues better support an assessment that performance on this test should be considered satisfactory:
  - Missing GUI preorder responses – The Company acknowledged this issue and made corrections in time for successful KPMG retesting at much higher volume levels.
  - Missing EDI order responses – KPMG has been aware for several months that the Company correctly dropped these orders to a manual process, which due to the unique nature of the Volume Test CLEC setup resulted in no responses being sent back. By including this as a real issue with the March 13 Volume Test, KPMG is distorting the true results of the test.
  - Late CORBA, EDI, and GUI preorder responses. By making this proclamation, KPMG ignores the Company's official Performance Measure results, which show timely response for

the March 13 Volume Test, as well as the results of its own home-grown timings, when measured against the appropriate benchmarks.

- April 11, 2002: KPMG identified just one issue with this 150% “peak day” test: Preorder timeliness. Once again, both the official Performance Measure results and KPMG’s home-grown timings measured against appropriate benchmarks show satisfactory timeliness results for the April 11 test. Given that there were no other issues identified, the April 11 test performance should be considered satisfactory.
- April 17, 2002: KPMG states (p. 39) that they did not “receive responses within the testing timeframe” during the stress test. What KPMG neglects to state is that the stress test, which transmits 250% of the forecasted December, 2002 volume, is not designed to be measured against performance benchmarks. Rather, it is designed to see how far the Company’s systems can be stressed before they break. In other words, there should be no expectation of performance other than did the systems “survive” when pushed to the limit. The Company’s systems not only survived, but they actually performed quite well under the load. The Company returned nearly all preorder and order responses, met many of the official Performance Measurement benchmarks for preorder and order timeliness even though timeliness is not a requirement for the 250% test, and within two hours of the planned completion time of the test, the Company’s systems were processing normal volumes - all backlog queues were eliminated.
- April 18, 2002: KPMG states that the Company “close(d) the volume testing window and replaced its production LSOG GUI pre-order/order interface with LSOG5 version.” The move to the LSOG5 version was done in accordance with the Company’s Merger Plan of Record agreement with the FCC and was not a unilaterally change made by the Company.
- May 9, 2002: KPMG states that a meeting was held to discuss technical issues associated with the different time stamping measurements used by KPMG, as compared to the Company. This technical conference was held at the urging of the Company in an attempt to provide KPMG and HP a better understanding of the timestamping methodology employed by SBC Ameritech.

The Company strongly disagrees with the exceptions which KPMG has issued associated with the volume tests and continues to feel that its performance demonstrates that its systems are more than capable of handling forecasted CLEC volumes on a timely basis and that it has passed the volume test component of the test.

KPMG notes in the “Work Remaining” section of this test (p. 40) that the Company “has not indicated that any changes to its systems are planned in response to the results published to date.” In fact, the Company has worked with KPMG throughout the numerous iterations of the volume test and has addressed many issues that were identified and retested with KPMG in one of the subsequent volume tests that KPMG conducted in early 2002. Given that the Company’s performance in the tests to date has demonstrated that its volume handling capability is more than adequate, the Company is not willing to undertake the time and cost to pursue further system modifications to achieve what it feels is an artificial – and incorrect --- KPMG target. The Company’s performance in the tests to date has demonstrated that its volume handling capability is more than adequate. However, the Company will, as it does on a regular basis, continue to monitor its OSS performance and address any noticed deficiencies of a material nature.

For more information on this matter, please refer to Attachment B.



4. In the TVV-3, Order Flow Through Evaluation, section of the Report, KPMG notes in footnote 25 (p. 41) that the Company has been “unable to provide an accurate and complete report.” It is misleading to portray this issue in terms of a failure of SBC Ameritech to provide “an accurate and complete report.” Well over 80% of the orders reported on the Flowthrough Reports have been reported accurately and completely since the beginning of the year. For the remaining orders, it was necessary for both the Company and KPMG to agree to a complete, mutually-understood definition of what it means for these orders to flow through. Less than one month ago, that understanding was reached and SBC Ameritech provided revised reports reflecting these new report specifications on June 25. These reports should allow KPMG to complete its flowthrough analysis.
5. KPMG did not identify any open observations or exceptions for PPR7 or PPR8.

### **III.E Response to KPMG Report Section: Provisioning Overview**

General Response: This portion of the test includes three tests, TVV4, which KPMG identified as “high risk” and PPR6 and PPR9 which KPMG identified as “low risk.” KPMG noted (p. 45) that this portion of the test has been delayed because of problems in “SBC Ameritech’s provisioning orders.” Given the complexity and magnitude of the testbed being utilized for this test, there were issues that arose which needed to be addressed by both KPMG and the Company. The Company and KPMG have cooperatively on these issues as they have arisen.

#### **Specific Issues of Concern:**

1. The footnote on page 48 of the Interim Report notes that the Directory test was put “on hold” pending a response to Exception 107.

The Company provided its response to KPMG for Exception 107 on June 27, 2002, and is awaiting KPMG's retesting results and analysis. However, it is not the Company's understanding that the entire Directory test was placed on hold – if this is, in fact, the case, it was never communicated to the Company.

2. In the “Work Remaining” section of the PPR-9 test, Provisioning Process Evaluation (p. 50), KPMG stated that they requested electronic versions of the Company's force and load models on March 26, 2002.

KPMG has had hard copies of the force and load models for all Centers since December of 2001. Three months later, on March 26, 2001 KPMG requested electronic copies of these models. All models were provided in an electronic format except for the Special Service Center. Because this particular Center is transitioning to a new method of calculating force and load, this information is not readily available. The old data has been archived and the Company is currently working with KPMG to provide the formulas used to calculate force and load in the previous year.

3. In this same section (p. 51), KPMG also notes that the Company's documentation associated with notifying CLECs on failed cutovers conflicts with the Illinois Plan of Record and that KPMG is awaiting documentation on this issue.

SBC Ameritech provided updated information on June 20<sup>th</sup> in response to Observation 526 which should address this apparent documentation conflict. (Note: Observation 526 was received by the Company on June 11<sup>th</sup>.)

### **III.F Response to KPMG Report Section: Maintenance and Repair (M&R) Overview**

**General Response:** This portion of the test includes six tests: TVV5 and TVV6, which KPMG identifies as “low risk”, TVV7 which KPMG identifies as “high risk”, and PPR14, PPR15 and PPR16 which KPMG identifies as “low risk.” As stated earlier, the Company believes that its wholesale Maintenance and Repair performance is excellent and consistently exceeds the comparable retail parity levels.

KPMG notes on page 52 that the test was delayed due to the “possibility that test blindness was compromised.” SBC Ameritech strongly disagrees. (Note: This issue is also referenced in the “Work Remaining” section for TVV-5) At various times in this test, KPMG has raised the possibility that test “blindness” was compromised, and in every case it has been shown that this was not the case. Moreover, because KPMG’s testing methodologies do not reflect what a “real” CLEC would experience, any blindness problems would have been the result of KPMG’s own actions—not the Company’s. In any event, all of these potential “blindness issues” were dealt with swiftly – within a few days at most – and were not the cause of any test delay.

#### **Specific Issue of Concern:**

1. KPMG notes in the “Work Remaining” section of TVV-7, End-to-End Trouble Report Processing”, on page 58 that they are awaiting responses to three Exceptions before they resume testing in this area. The status of these three exceptions is as follows.
  - Version 3 of Exception 77 was received by the Company on June 21<sup>st</sup>. This version reported a single ticket hand-off problem out of a base of ten. This particular problem is associated with EELs which are seldom ordered by CLECs.
  - The Company advised KPMG to begin retesting Exception 92 on May 21<sup>st</sup>. KPMG never responded and subsequently rolled this issue into Exception 115 on May 30<sup>th</sup> and closed Exception 92.
  - The Company responded to Exception 111 on June 13, 2002. KPMG has since asked additional questions on this matter which the Company is now reviewing.

### **III.G Response to KPMG Report Section: Billing Overview**

**General Response:** This portion of the test includes six tests: TVV9, which KPMG identified as “high risk,” PPR13, which KPMG identified as “moderate risk,” and TVV8, PPR10, PPR11, and PPR12, which KPMG identified as “low risk.” As KPMG has noted, there has been significant work activity within the Billing portion of the test and progress toward closing all pending observations and exceptions is being made.

The one exception to the previous statement and an area in which there continues to be disagreement is associated with the billing associated with the UNE-P as a result of a migration of the loop portion of the bill from the RBS system to the CABS system in order to provide CLECs with a single bill for the product. This migration, done at the CLECs’ request as outlined in the Merger Plan of Record, was a significant one-time work activity that was compounded by the exceptionally high growth rate of the UNE-P product – far in excess of what was envisioned when the migration process began. The Company has provided KPMG details regarding the conversion and “true-up” process which is being followed. It continues to be the Company’s position that to delay the completion of the test for validation of this one-time event is inappropriate.

KPMG also made a reference to that fact that the Company has been tardy in supplying the specific rate information which is necessary for its analysis. This information could have and should have been requested many months earlier by KPMG – well before it became a critical item.

#### **Specific Issues of Concern:**

KPMG noted in PPR-10, Billing Work center/Help Desk Support Evaluation, on page 69 that they had been attempting to arrange an interview with the Company’s Account Management organization and that the interview was canceled and no alternate time has been arranged since that time. In fact, the referenced interview was first canceled due to KPMG's lack of clarity regarding the purpose, content and expected participation. It was then canceled again due to critical business needs which were clearly explained to KPMG numerous times. The interview was finally conducted on June 26, 2002.

**Illinois Exception (E) and Observation (O) Status as of 7/1/02 @ 2:15 PM CT**

O/E #	Status	Retest Date	O/E #	Status	Retest Date	O/E #	Status	Retest Date
E18	Open		O383	Open		O548	Open	
E19	Open		O394	Open		O549	Open	
E20	Open		O406	Open		O553	Open	
E26	Open		O419	Open		O554	Open	
E35	Open		O429	Open		O555	Open	
E42	Open		O432	Open		O556	Open	
E74	Open		O438	Open		O557	Open	
E77	Open		O446	Open		O190	Retest	6/12/02
E83	Open		O458	Open		O248	Retest	5/14/02
E87	Open		O460	Open		O270	Retest	6/25/02
E111	Open		O461	Open		O316	Retest	6/29/02
E112	Open		O465	Open		O337	Retest	6/28/02
E115	Open		O468	Open		O360	Retest	No Retest
E120	Open		O482	Open		O375	Retest	6/14/02
E125	Open		O488	Open		O377	Retest	5/6/02
E129	Open		O489	Open		O381	Retest	6/28/02
E131	Open		O491	Open		O414	Retest	5/10/02
E132	Open		O492	Open		O425	Retest	6/26/02
E133	Open		O495	Open		O435	Retest	6/25/02
E134	Open		O507	Open		O449	Retest	No Retest
E12	Retest	6/24/02	O509	Open		O452	Retest	6/27/02
E41	Retest	6/25/02	O510	Open		O462	Retest	6/21/02
E47	Retest	5/14/02	O511	Open		O464	Retest	5/23/02
E80	Retest	No Retest	O512	Open		O466	Retest	6/25/02
E82	Retest	No Retest	O514	Open		O469	Retest	6/26/02
E86	Retest	3/30/02	O522	Open		O472	Retest	No Retest
E107	Retest	6/15/02	O523	Open		O474	Retest	6/25/02
E108	Retest	No Retest	O524	Open		O476	Retest	6/25/02
E109	Retest	No Retest	O525	Open		O479	Retest	No Retest
E113	Retest	6/20/02	O527	Open		O480	Retest	6/12/02
E118	Retest	6/18/02	O531	Open		O490	Retest	6/25/02
E119	Retest	No Retest	O532	Open		O493	Retest	6/25/02
E122	Retest	No Retest	O533	Open		O494	Retest	5/1/02
E124	Retest	7/1/02	O534	Open		O496	Retest	6/10/02
E127	Retest	No Retest	O535	Open		O500	Retest	6/12/02
E128	Retest	5/26/02	O536	Open		O506	Retest	No Retest
E135	Retest	No Retest	O538	Open		O513	Retest	No Retest
O129	Open		O540	Open		O526	Retest	6/20/02
O239	Open		O542	Open		O537	Retest	5/1/02
O272	Open		O546	Open		O541	Retest	No Retest
O361	Open		O547	Open		O545	Retest	6/25/02

June 27, 2002

**VIA HAND DELIVERY**

Chairman Richard Mathias  
Commissioner Ruth Kretschmer  
Commissioner Terry Harvill  
Commissioner Edward Hurley  
Illinois Commerce Commission  
160 N. LaSalle, Suite C-800  
Chicago, IL 60601

Commissioner Mary Frances Squires  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, IL 62701

Dear Chairman and Commissioners:

Last Thursday, the Commission held a Special Open Meeting to receive a report from KPMG Consulting on the status of the Illinois OSS Test. While SBC Ameritech intends to respond to KPMG's entire report, the portion of the report concerning SBC Ameritech's return of customer service record information to the CLECs was replete with omissions and misrepresentations, and therefore, compels an immediate response. The attached document explains those omissions and misrepresentations in an effort to fully inform the Commission on this issue.

It is particularly troublesome that the independent auditor upon which this Commission is relying failed to fully and accurately inform this Commission on this issue. The manner in which KPMG has addressed this issue raises serious questions concerning its objectivity as an independent third party test administrator.

It is also important to recognize that SBC Ameritech's OSS are handling commercial volumes of CLEC orders every day and have been successfully used by the CLECs to capture more than 1.9 million lines in Illinois. I would also point out that KPMG has already been paid almost \$170 million without completing the OSS test in any of the 5 SBC Ameritech states.

If you have any additional questions concerning this matter, we would be happy to answer them.

Very truly yours,

Carrie J. Hightman  
President  
SBC Ameritech Illinois

Enclosure

cc: Scott Wiseman (w/encl.)  
Service list (w/encl.)

**SBC'S RESPONSE TO KPMG'S CRITICISM  
THAT IT FAILS TO RETURN CUSTOMER SERVICE RECORD  
INFORMATION WITHIN THE PRESCRIBED TIMEFRAME**

On June 20, 2002, during a Special Open Session of the ICC, KPMG alleged that SBC Ameritech returns 95% of the customer service record information to CLECs within 26 seconds rather than the Commission-approved benchmark of 13 seconds, and that this benchmark is too long because BellSouth performs the same function in only 3-5 seconds. This is misleading for the following reasons:

- SBC Ameritech's actual performance results demonstrate that it consistently provides CSR information to the CLECs within the Commission-approved 13 seconds;
- KPMG failed to tell the Commission that SBC Ameritech *passed* KPMG's volume test for providing CSR information to the CLECs within the Commission-approved 13 seconds during a "normal" day;
- KPMG failed to tell the Commission that the performance results it reported were from only one of its volume tests on a single "peak" day (which is 150% of "normal"), and that SBC Ameritech disagreed with its method of reporting these results.
- KPMG failed to tell the Commission that, if it agreed with SBC Ameritech's method of reporting these results, SBC Ameritech would have *passed* one of KPMG's volume tests for providing CSR information to the CLECs during a "peak" test day and *failed* the other by only 3 seconds which, of course, is not competition affecting.
- KPMG failed to tell the Commission that the SBC Ameritech and BellSouth performance results it was comparing were from 2 completely different measurement techniques; and that SBC Ameritech provides CSR information to the CLECs on an "average response interval" basis in only 1-3 seconds, which is better performance than BellSouth's.

**Background**

This issue involves the performance of SBC Ameritech's Electronic Data Interchange (EDI) pre-order OSS interface. Under the FCC rules, SBC Ameritech must provide CLECs with a pre-order interface that enables them to obtain information from the company's "back office" systems that they need to submit orders for services from SBC Ameritech. Among the information SBC Ameritech must provide to the CLECs is a customer service record or "CSR." The Commission-prescribed performance measurement that captures SBC Ameritech's performance in returning a CSR to the CLEC is PM 2 "Percent Responses Received Within "X" Seconds – OSS Interfaces." PM2 requires that SBC Ameritech return 95% of the CSRs to the CLECs within 13 seconds.

When a CLEC utilizes SBC Ameritech's EDI pre-order interface, it transmits a pre-order inquiry to and receives a pre-order response from SBC Ameritech in the national standard EDI format. Once a pre-order inquiry passes through the SBC Ameritech firewall, it is translated from the EDI format to SBC Ameritech's internal proprietary internal format. EDI translation is necessary so that SBC Ameritech can identify the CLEC submitting the pre-order inquiry and the precise nature of the information requested, so that it can be processed by SBC Ameritech's "back office" OSS. When a pre-order response is ready for



transmission back to the CLEC, it is translated from SBC Ameritech's internal proprietary internal format to the EDI before it is sent back across the firewall.

### **The "Time Stamp" Disagreement**

KPMG is not following the Commission-approved performance measurement business rules for measuring the pre-order response time for PM2. In measuring and reporting SBC Ameritech's performance under PM2, KPMG includes the time it takes for the CLEC to send and receive a pre-order inquiry and the time it takes to perform the EDI translation. This is not required by the business rules for PM2, since it is inconsistent with how PM2 was implemented by SBC Southwestern Bell.

The business rules for PM2 simply state that SBC Ameritech should take the "time stamp" for the date and time when it receives a pre-order inquiry from a CLEC and returns a pre-order response to a CLEC just inside SBC Ameritech's side of the firewall. In addition, under its merger commitments to both this Commission and the FCC, SBC/Ameritech was obligated to implement PM2 just like it was implemented in SBC Southwestern Bell. SBC Southwestern Bell did not capture the time it took a CLEC to send and receive a pre-order inquiry, nor the time it takes to perform the EDI translation. Moreover, the PM2 performance benchmarks that were established for providing pre-order information, including the CSR, did not take this time into account.<sup>5</sup> Hence, the time stamps were taken by SBC Southwestern Bell after the EDI translation was performed on a pre-order inquiry and before the EDI translation was performed on a pre-order response. SBC Ameritech implemented PM2 in the same manner. There is simply no basis in the business rules or in the merger order for KPMG's methodology.

This dispute has a significant impact on a fair evaluation of the performance of SBC Ameritech's EDI pre-order interface because KPMG's approach adds extra time to the total pre-order response time. SBC Ameritech estimates that the additional time included by KPMG, but not included in the Commission-approved business rules and performance benchmarks, is about 10 seconds. This additional 10 seconds consists of approximately 2 seconds that it takes the CLEC to send a pre-order query and receive a response on its side of the EDI pre-order interface, and approximately 8 seconds that it takes to perform the EDI translation for each query and response.

### **SBC Ameritech's Actual Performance Results**

Mr. Sears' statements at the open meeting were incomplete and therefore inaccurate. Mr. Sears failed to note that SBC Ameritech has exceeded the Commission's approved performance benchmark for responding to pre-order CSR requests for the past year. In fact, SBC Ameritech has consistently performed above 97% (in only 4 out of 61 reported results have we performed below 97%, with the lowest being only 93%), another fact he overlooked.

His allegations are also largely in conflict with KPMG's own test results to date. For example, KPMG's Detailed Interim Report to the Commission dated June 18, 2002 does not contain any open observations or exceptions regarding CSR response times in connection with pre-order functional transaction testing (TVV1). In particular, there are no TVV1 test results to support Mr. Sears' broad assertion that SBC Ameritech returns 95% of the CSRs in 26 seconds.

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<sup>5</sup> SBC Southwestern Bell subsequently proposed a new performance disaggregation under PM2 to separately capture the EDI translation time and to establish a separate performance benchmark, which was accepted by the CLECs. SBC Ameritech similarly proposed a new performance disaggregation as part of its most recent 6 month review, which has been rejected by the CLECs after KPMG issued an exception on PM2.

Specifically, KPMG conducted three types of EDI pre-order transaction volume tests: a “normal” day, “peak” day (150% of normal) and “stress” day, (250% of normal) with “normal” being defined as the volume of transactions that SBC Ameritech would be anticipated to receive in December 2002.

SBC Ameritech passed the EDI pre-order volume test on a “normal” day for 8 of the 9 pre-order transaction types, including the test for returning CSRs to the CLECs. Mr. Sears failed to point this out to the Commission. He also failed to point out that if you subtracted the 10 seconds in dispute on reporting PM2 results, SBC Ameritech would also have passed the EDI pre-order volume test on the “normal” day for the one transaction type with an unsatisfactory result.

Instead, Mr. Sears only reported on the EDI pre-order volume test results for one “peak” day on April 11, 2002 where SBC Ameritech returned 95% of the CSRs in 26 seconds rather than the required 13 seconds, based on KPMG’s method of reporting PM2 performance results. In addition, he failed to mention that during the “peak” day test conducted on March 25, 2002, SBC Ameritech returned 95% of the CSRs in 22 seconds, again according to KPMG’s erroneous method of reporting PM2 performance results. More importantly, Mr. Sears failed to point out to the Commission that if you subtracted the 10 seconds in dispute on reporting PM2 results, SBC Ameritech would have failed the April 11th “peak” day test for CSRs by only 3 seconds (95% within 16 seconds) and not the 13 seconds he represented. Moreover, Mr. Sears also failed to point out that SBC Ameritech would have passed the March 25, 2002 “peak” day test by 1 second (95% within 12 seconds). These facts put SBC Ameritech’s performance into context and should have been disclosed at the open meeting.

### **The BellSouth Comparison Is Wholly Inappropriate**

Mr. Sears opined that SBC Ameritech’s performance benchmark of returning 95% of CSRs to the CLECs within 13 seconds was too long, noting that BellSouth can perform this function in a 3-5 second interval. This is an “apples and oranges” comparison. The BellSouth performance measurement for pre-order response times calculates the “average response interval,” rather than the “percent of responses completed in “X” seconds” that we are required to report. These are two very different methods of measuring pre-order response time performance. SBC Ameritech is required to report to the FCC its performance on the “average response time for OSS pre-order interfaces,” which is the same measurement as BellSouth’s. SBC Ameritech’s actual performance on this measure has been in the 1-3 second range. Accordingly, SBC Ameritech’s performance is better than BellSouth’s.

It should also be noted that SBC Ameritech’s PM2 performance benchmarks for EDI pre-order transaction response times are the same as those used by SBC Southwestern Bell and accepted by the FCC in its 5 successful section 271 applications. In addition, PM2 has been approved by all 5 of SBC Ameritech’s state commissions. Therefore, Mr. Sears’ claim that this benchmark is not consistent with industry practice is plainly wrong.